

 <p>MISSOURI DEPARTMENT OF HEALTH AND SENIOR SERVICES CHILD AND ADULT CARE FOOD PROGRAM</p> <p>Sponsoring Organizations of Homes POLICY & PROCEDURE MANUAL</p>	ISSUED 12/90	REVISED 6/15	CHAPTER 9	SECTION 9.5
CHAPTER Chapter 9. Tiering/Eligibility Guidance	SUBJECT Provider's Household Income or Categorical Eligibility/Documentation Requirements			

When a family child care home is classified for tier I eligibility based on provider's household income or categorical eligibility, the SO must have completed the following prior to reimbursing the provider for meals at tier I reimbursement rates:

- 1) Obtain an Income Eligibility Form (IEF), Form CACFP-101, completed by the provider, which lists all household members and income or indicates categorical eligibility.
- 2) Verify that information on the IEF is mathematically correct and that family size and total household income are within the current Income Eligibility Guidelines (IEG).
- 3) Verify, with outside sources and/or external documentation, the accuracy of information on the IEF.
- 4) Maintain required documentation to support information provided on the IEF.
- 5) Complete the last section of the IEF to summarize household size and income or categorical information and sign and date the form.
- 6) Send notice to the provider to confirm reimbursement at tier I rates and the effective date of eligibility.

Information Required on the Income Eligibility Form (IEF)-Form CACFP 101:

SOs must obtain an IEF, Form CACFP-101, to document classification of providers for tier I reimbursement rates on the basis of household income eligibility or to reimburse tier I providers for meals served to their own children when the provider qualifies for tier I rates on the basis of school or census data. The following information must be provided on all CACFP-101 forms:

☐ Eligible Per Household Income:

- Part 1 - the names and birthdates of all residential children enrolled in the family child care home for care.
- Part 2 - for tier I providers whose eligibility is based on household income: computation of net child care income. The income, costs and net child care income information must be consistent with other documentation requirements included in this section.
- Part 3 - the names –and the total income received by each member of the household and the source of that income. NOTE: Refer to Section 9.9 of this chapter for guidance in the definition of “household” and the definition and calculation of “income”.
- Part 4 – the signature and date of the adult household member completing the IEF.
- Part 4 –the last four digits of the social security number of the adult household member who signs the application, or an indication that he/she does not possess a social security number. The exception to this requirement is if the children's Temporary Assistance for Needy Families (TANF) or Supplemental Nutrition Assistance Program (SNAP) case number is provided.

☐ Categorical Eligibility:

- Part 1 - the names and birthdates of all residential children enrolled in the family child care home for care.
- Part 1 - TANF or SNAP case numbers for households who are categorically eligible based upon the receipt of TANF or SNAP assistance. NOTE: the “expanded” categorical programs may only be used for determining the eligibility of non-residential children enrolled in Tier II homes.
- Part 4 - the signature and date of the adult household member completing the form.

The SO’s determination that a child care home is eligible to receive tier I reimbursement rates based on provider’s household income or categorical eligibility is valid for one year.

Provider’s Household Income Eligibility:

A provider may qualify for tier I reimbursement by providing written evidence that household income is within the Income Eligibility Guidelines (IEG). A provider’s household income refers to the income of the family child care home provider, as well as the income of all other members of the household.

☐ Documentation Requirements (to support the IEF) for Household Income Eligibility:

All CACFP providers’ households include at least one individual that is self-employed, and in some cases, the spouse is also self-employed. Self-employed individuals do not have documentation from outside sources, such as current wage statements and pay stubs that can be verified with an employer. For this reason, the prior year’s Internal Revenue Service (IRS) income tax forms provide the most reliable method to verify a provider’s earnings and/or those of a self-employed spouse and are therefore, the required documentation to verify eligibility for tier I rates.

The provider must submit a signed copy of the most recent IRS income tax return that was submitted to the IRS. For example, the deadline for submission of IRS income tax forms is April 15. Therefore, if a SO is verifying a provider’s household income on March 1, 2004, prior to the April 15 due date, it is possible the most recent IRS income tax forms submitted would be for 2002, since IRS income tax forms for 2003 would not yet be due. In contrast, if a SO is verifying a provider’s household income on April 30, 2004, after the April 15 due date, the most recent IRS income tax forms would be for 2003, the previous year. However, since, the provider could have filed their IRS income tax forms earlier in the calendar year prior to the April 15 due date, the SO must request the most recent IRS income tax forms filed, as required by law.

The specific IRS income tax forms required include:

- 1) Form 1040
- 2) Schedule C

The forms must be valid, including appropriate signatures and dates that correspond to the correct tax year, and reflect legitimate copies of the actual forms that were submitted to the IRS. The SO must review the forms to ensure the flow of income is consistent throughout the documents. For example, the income reported on Schedule C should appear on Form 1040 in the Income section on the Business income or (loss) line (Line 12). Finally, the income reflected on Form 1040 should flow through to the IEF.

If a self-employed spouse is continuing in the same business as in the prior tax year, the income reflected on the most recent IRS income tax forms will accurately reflect earnings to incorporate into the calculation of household income. The documentation requirements are the same as those outlined above for a provider, except that if the spouse is a self-employed farmer, Schedule F for the spouse in addition to the Schedule C submitted for the day care provider. Additionally, the income reported on Schedule F should appear on Form 1040 in the Income section on the Farm income or (loss) line (Line 18).

NOTE: No single line on the Form 1040 captures a provider's household income as it is defined in CACFP. The USDA defines income differently for eligibility of its programs than the IRS defines income for income tax purposes. Refer to Section 9.9 of this chapter for guidance on the definition and calculation of household income.

☐ Exceptions to the use of tax documentation:

If a provider's household income has changed significantly between the end of the tax year and time of application for tier I eligibility, it may be necessary to utilize either other sources, or sources in addition to the IRS income tax forms to verify current household income levels. If there are two income earners in the household, it is possible that IRS income tax forms accurately reflect income for one of the earners. Therefore, even though the IRS income tax forms might not be the sole source to accurately reflect current household income, certain information must be extracted from those forms for members whose income is accurately reflected on such forms.

Per USDA policy, CACFP 520, there are four exceptions when use of the previous year's IRS income tax documentation would not be the sole source documentation to derive current household income. In these cases, other written confirmation that reflects the household's current income must be submitted. Following are the four exceptions cited:

- 1) The household's composition has changed since the end of the prior tax year, due to a change in marital status, death of a spouse or a change in the number of household members.

Documentation requirements: The most recent IRS income tax forms would likely still be an accurate representation of the remaining spouse's income, but the income pertaining to the other spouse would need to be deleted to derive total household income. However, this scenario could result in additional income in other areas, such as child support, alimony or survivor's benefits that would need to be added to derive total household income.

- 2) Household income has changed significantly due to a household member's gain or loss of employment. The loss or gain would have to be for an extended period of time, generally over three months, to impact the gross annual income received by the household.

Documentation requirements: The most recent IRS income tax forms would likely still be an accurate representation of the household member whose circumstances may not have changed, but the income pertaining to the household member with changed circumstances would need to be deleted from the income reported on the IRS income tax forms to derive one component of total household income.

The component of total household income for the household member with changed circumstances would be calculated separately and added to the income reported on the IRS income tax forms for the household member with unchanged circumstances. However, in this scenario, a loss of income

could be offset by an increase in additional income in other areas, such as unemployment compensation or other governmental benefits that would need to be added to derive total household income.

The provider must submit the following for a household member with a significant gain or loss of employment: a) Pay or wage stubs or a letter from the employer confirming wages. Such confirmation must include the amount of income, frequency received and the date received; or b) Documentation for self-employment. Income for a self-employed person is based on net income, computed by deducting business expenses from gross receipts. If a self-employed spouse has begun a new business and income reflected on the most recent IRS income tax forms submitted would not be relevant, the provider must submit the following documentation to support calculation of estimated business income:

- i) Written evidence of the actual or estimated business income received from goods sold or services rendered; and,
- ii) Written evidence of the actual or estimated business expenses incurred. Such expenses include the cost of goods purchased, rent, utilities, interest on business mortgages, supplies, repairs, depreciation, wages and salaries paid, and business taxes (not personal Federal, State or local income taxes).

3) The provider's income has changed due to a change of participation in child care.

Documentation requirements: The portion of income on the most recent IRS income tax forms attributable to child care could be adjusted in accordance with the percentage change of participation in the child care to calculate the provider's new income. For example, if a provider's income was previously based on earnings for providing care to six (6) children for the entire year and the provider added three (3) children on January 1st, representing a 50% increase, it is reasonable to assume the new earnings could be calculated by applying the increase to the previous year's earnings. (Example: previous income = \$10,000; adjusted income with 50% increase = \$15,000)

However, if the provider has added several children with variable hours of care, the provider would be required to estimate the current child care income. Income for a self-employed person is based on net income, computed by deducting operating expenses from gross receipts. If a self-employed provider's change in child care participation and income reflected on the most recent IRS income tax forms submitted would not be relevant, the provider must submit the following documentation to support calculation of estimated operating income:

- i) Written evidence of the actual or estimated business income received from child care services, including money received from parents, as well as reimbursements from the CACFP; and,
- ii) Written evidence of the actual or estimated operating expenses incurred, including the cost of food for meals served to children in care.

The maximum amount a provider can deduct for the cost of food for meals served to children in care is the CACFP reimbursement amount.

4) A new family child care provider who was either unemployed or was employed in a different capacity in the prior tax year.

Documentation requirements: The portion of income on the most current IRS income tax forms attributable to the provider would not accurately reflect current provider income. However, the portion relating to other household members could be used to verify other household members' income.

Categorical Eligibility

A provider may be categorically eligible and qualify for tier I reimbursement by demonstrating receipt of benefits from TANF or SNAP. The “expanded” categorical eligibility criteria does not apply to determination of tier I status for a provider or for the provider’s own children in tier I family child care homes.

☐ Documentation requirements (to support IEF) for Categorical Eligibility:

The SO must obtain a current “Notice of Eligibility” for the TANF or SNAP programs or award letters from the associated governmental agencies that establish the household’s eligibility to receive such benefits.

An identification card for such programs must include the certification period and identify the expiration date to qualify as verification of eligibility.

The SO may also submit the name and case number on an IEF to the appropriate agency to request verification (for the most recent month available) of the provider’s categorical eligibility.

The SO must track the expiration date of benefits and must document, date and sign the supporting written documentation for all of the above methods of verification for categorical eligibility.